

## **DECISION MEMORANDUM**

**TO: COMMISSIONER KEMPTON  
COMMISSIONER SMITH  
COMMISSIONER REDFORD  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: SCOTT WOODBURY  
DEPUTY ATTORNEY GENERAL**

**DATE: JUNE 2, 2010**

**SUBJECT: CASE NO. PAC-E-10-07 (Rocky Mountain Power)  
GENERAL RATE CASE**

On May 28, 2010, PacifiCorp dba Rocky Mountain Power (RMP; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to change its electric service schedules to reflect a proposed revenue increase of \$27.7 million, or 13.7%.

RMP serves more than 70,000 customers in southeastern Idaho. The Company provides electric service to more than 1,000,000 customers in Utah, Wyoming and Idaho. The Company owns more than 10,000 megawatts of generation from coal, hydro, natural gas-fueled combustion turbines and renewable wind and geothermal power. The proposed increase is based upon normalized results of operations for the test period ending December 31, 2009, with known and measurable changes. Revised tariff schedules reflect a proposed effective date of June 28, 2010, save and except tariff Schedules 400 (Monsanto) and 401 (Nu-West) who will continue pursuant to special contract with existing service rates through year-end 2010.

RMP contends that it is currently earning a return on equity (ROE) of 5.7%. The Company requests a return on equity of 10.6%. Without the requested increase in revenues, RMP contends that it will be increasingly difficult for the Company to maintain its utility infrastructure and continue to provide adequate, efficient, just and reasonable service to its Idaho customers. PacifiCorp contends that it is in the midst of a multi-year program of investing in renewable energy, transmission facilities and environmental controls to serve its customers in

Idaho and across its six state system. At a total Company level, the test period includes over \$4 billion of new plant investment and \$87 million in increased power costs.

Presented in this case is a class cost of service study that functionalizes, classifies, and allocates cost to each customer class based on the test year in the Company's filing. Guided by its cost of service study the Company proposes to allocate the net price increase for major customer classes as follows:

- Residential Schedule 1: 8.0%
- Residential Schedule 36: 15.6%
- General Service:
  - Schedule 23/23A: 10.8%
  - Schedule 6/6A/35/35A: 14.9%
  - Schedule 9: 14.6%
  - Schedule 19: 12.0%
- Irrigation Schedule 10: 9.6%
- Public Street Lighting: 0%
- Industrial Contract Schedule 400 (Monsanto): 19.6%
- Industrial Contract Schedule 401 (Nu-West): 15.9%

These changes are intended to bring all customer prices more closely to the actual cost to serve them.

#### ***Schedule 1 – Residential***

For Residential Schedule 1 customers, the Company proposes a seasonally differentiated two-tiered inverted block pricing structure for energy use and a \$12 per month fixed customer service charge. The first energy block in each season will apply to usage for the first 800 kWh per month. Currently residential customers served on Schedule 1 pay a flat, seasonally differentiated energy charge applied equally to all kilowatt hours. Under the existing rate design a monthly minimum charge also applies.

As result of the proposed two block inverted structure the average Idaho residential customer using 839 kWh year round will see an average rate increase of only \$.84 per month, or 1% per month overall. Larger users with more discretionary usage will see substantially larger increases. The Company believes that this rate design balances cost recovery, fairness, and provides customers price signals concerning the higher costs of increasing energy usage.

#### ***Schedule 36 – Residential (Optional Time of Day)***

For time-of-use Residential Schedule 36 customers, the Company proposes to retain the existing rate structure and to apply increases to both the customer service charge and to the

on-and-off peak energy charges. Even with these changes, the Company maintains that customers on Schedule 36 will continue to benefit from the time-of-use rate design. If the Company's proposed rates are approved as filed, the average rate for a time-of-use customer will be 1.35¢ per kWh lower than the average rate for Schedule 1 residential customers.

#### **COMMISSION DECISION**

Commission Staff recommends that the Company's Application be noticed, that its proposed June 28, 2010, effective date be suspended and that the Commission establish an intervention deadline. Does the Commission agree with the recommended procedure?

A handwritten signature in black ink, appearing to read "Scott Woodbury", written over a horizontal line.

Scott Woodbury  
Deputy Attorney General

bls/M:PAC-E-10-07\_sw